

Department of Human Resource Management

Internal Service Fund Rates

Retirement and Independent Entities Interim Committee

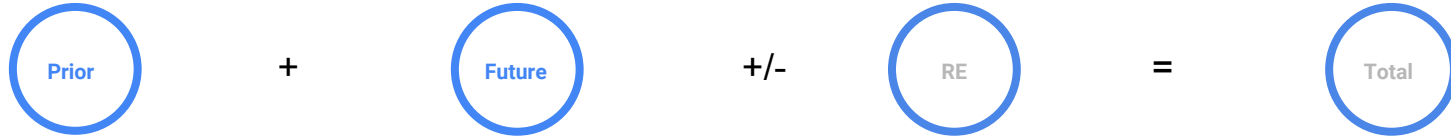
November 14, 2017

Internal Service Funds:

ISF agencies employ business practices to take advantage of economies of scale, to avoid duplication of effort, and to provide an accounting mechanism to identify costs of certain governmental services. There are two primary advantages to using internal service funds within government.

1. ISFs charge customer agencies at rates set by the Legislature, and the price mechanism motivates customer agencies to find efficiencies to reduce expenses for ISF services so that operational budgets can be utilized elsewhere.
2. Agencies can use federal and restricted funds to pay for ISF services rather than relying solely on General Fund and Education Fund appropriations.

DHRM Rate Calculation Methodology



Historical Expenditures

- Look at expenditures for each rate separately.
- Trends / 1x costs

Future Changes

- SJR001 (2017 GS)
- Efficiencies and other needs

Retained Earnings

- Adjust for retained earnings.

Estimated Expenditures

- Total estimated expenditures are divided by applicable FTE to come up with annual rate
- Rate is billed to agencies based on their FTE's

Historical Rates

	HR Services	Payroll Services	Core HR Systems
Fiscal Year 2007	\$ 520	\$ 130	
Fiscal Year 2008	\$ 561.25	\$ 130	
Fiscal Year 2009	\$ 613	\$ 115	
Fiscal Year 2010	\$ 579	\$ 75	
Fiscal Year 2011	\$ 544	\$ 75	
Fiscal Year 2012	\$ 544	\$ 75	
Fiscal Year 2013	\$ 544	\$ 64	
Fiscal Year 2014	\$ 560	\$ 64	
Fiscal Year 2015	\$ 564	\$ 64	
Fiscal Year 2016	\$ 621	\$ 54	
Fiscal Year 2017	\$ 723	\$ 54	\$ 12
Fiscal Year 2018	\$ 723	\$ 54	\$ 12
Fiscal Year 2019	\$ 740	\$ 54	\$ 12

Proposed

Retained Earnings



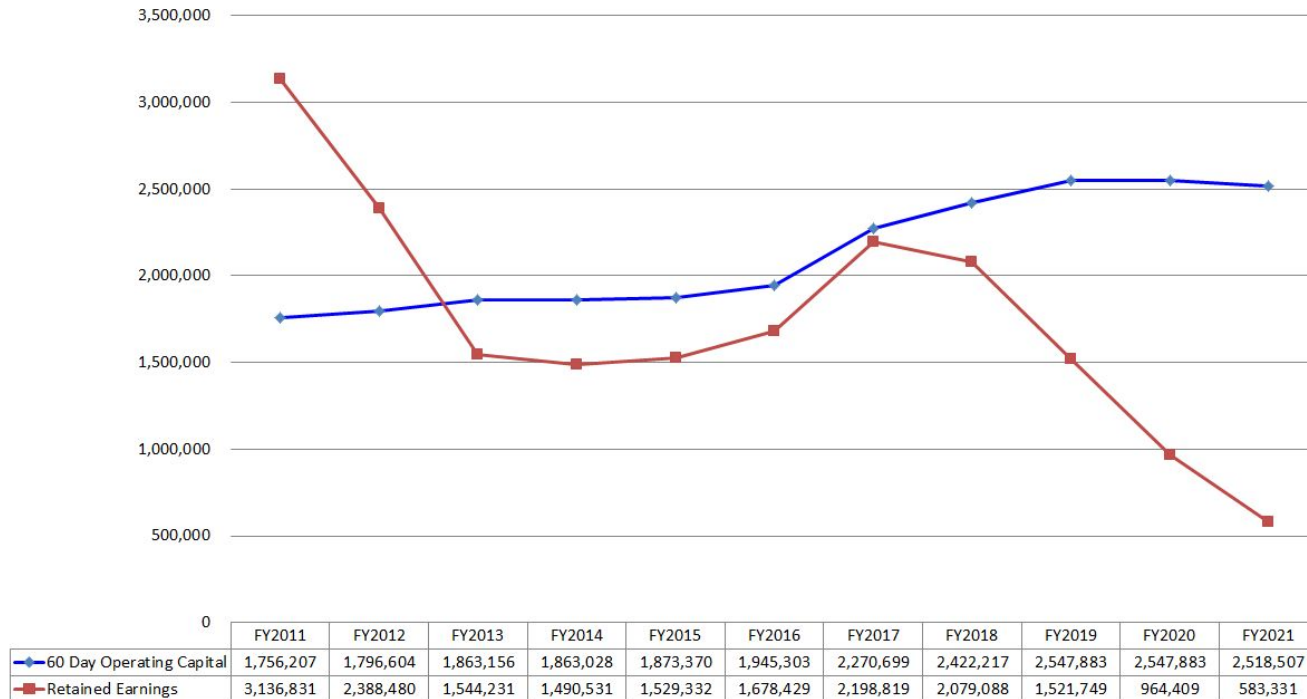
Utah Department of
Human Resource Management

	FY2014 (Actual)	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)
Personal Services	1% COLA 9,871,365	1% COLA 10,538,245	3% COLA 11,055,756	2% COLA 12,125,435
Travel Expenses	29,870	24,134	23,364	35,206
Current Expenses	478,737	279,303	259,062	413,361
Data Processing	740,902	354,260	303,130	1,018,231
Capital Expend - Depr. Expn.	18,096	8,745	0	0
Other Charges/Pass Through	39,707	35,533	30,503	31,959
	11,178,677	11,240,220	11,671,816	13,624,192
Revenue (HR Services Rate)	\$560	\$564	\$621	\$723
(Payroll Services Rate)	\$64	\$64	\$54	\$54
(Core Services Rate)				\$12
Current FY Revenue Over (Under) Exp.	(53,700)	38,801	149,097	618,465
Prior Year Retained Earnings	1,544,231	1,490,531	1,529,332	1,678,429
Refund/Rebate	0	0		(98,075)
Retained Earnings	1,490,531	1,529,332	1,678,429	2,198,819

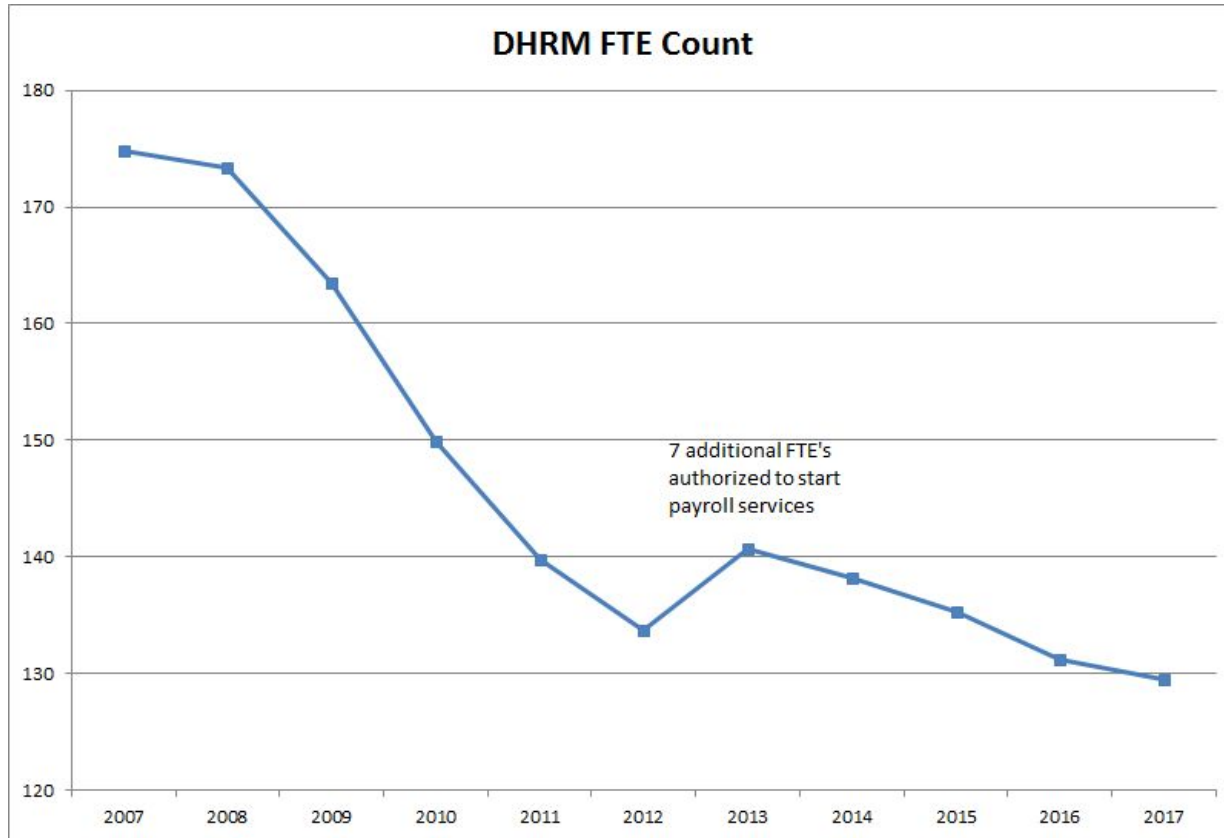
	FY2018 (Authorized)	FY2019 (Request)	FY2020 (Projection)	FY2021 (Projection)
Personal Services	2% COLA 12,451,400	2% COLA 12,712,000	12,712,000	12,712,000
Travel Expenses	40,000	(estimate) 40,000	40,000	40,000
Current Expenses	474,200	435,600	435,600	435,600
Data Processing CE/Capital Expd.	1,364,400	1,364,400	1,364,400	1,364,400
Capital Expend - Depr. Expn.	176,300	705,300	705,300	529,039
Other Charges/Pass Through	27,000	30,000	30,000	30,000
	14,533,300	15,287,300	15,287,300	15,111,039
Revenue (HR Services Rate)	\$723	\$740	\$740	\$740
(Payroll Services Rate)	\$54	\$54	\$54	\$54
(Core IT Systems Rate)	\$12	\$12	\$12	\$12
Current Year Revenue Over (Under) Exp.	(119,731)	(557,339)	(557,339)	(381,078)
Prior Year Retained Earnings	2,198,819	2,079,088	1,521,749	964,409
Refund/Rebate				
Retained Earnings	2,079,088	1,521,749	964,409	583,331

60 Day Operating Capital

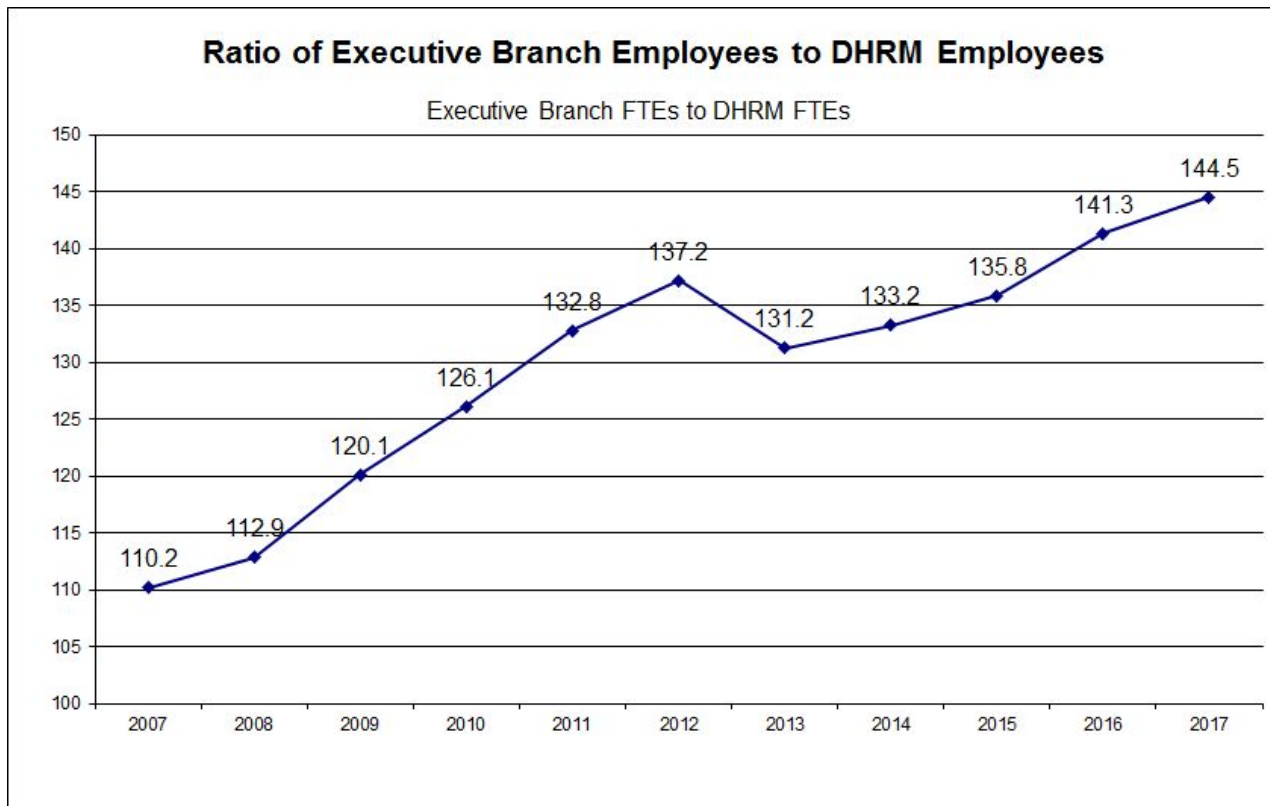
DHRM 60-Day Operating Capital



Staffing Count



FTE Ratio



ISF Proposed Rates

DHRM charges customer agencies three rates:

<p>HR Services (\$740/FTE)</p> <p>Executive Branch Agencies</p> <ul style="list-style-type: none">• Classification and Compensation• Employee Relations• Employment Transactions• Recruitment• Retirement Leave Payouts• Consultation	<p>Payroll (\$54/FTE)</p> <p>Most Executive Branch Agencies</p> <ul style="list-style-type: none">• Payroll processing	<p>Core HR (\$12/FTE)</p> <p>All State Employees</p> <ul style="list-style-type: none">• HRE- stores employee information, interfaces with payroll processing• Recruitment System- StateJobs.Utah.gov
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In Summary

- 1 DHRM continually works to find ways to produce more valuable HR services by continuous improvement disciplines.
- 2 DHRM has achieved savings that has rendered steady rates over time.
- 3 DHRM customer satisfaction rates are high and have been on the rise over the past four years.
- 4 DHRM has a long term improvement plan. HRIS is a key part of this plan and is cost-effective in contrast to the market.